

Trade Accord Holds Many Prizes, But Obstacles to Passage Remain

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WASHINGTON, June 1 — The decision by President Bush to sign a trade agreement with the Soviet Union today paved the way for a process that would normalize commercial and economic relations between the two countries for the first time in a half-century.

Just five days ago, the President had said the agreement was "not on the table" because Moscow had yet to approve a free-emigration law.

Today's signing suggests that the President has received assurances from Mr. Gorbachev both on the emigration issue and on Soviet efforts to resolve the crisis on Lithuanian independence.

But the Soviet Union has been applying leverage as well. Soviet officials

after such legislation has been enacted," Secretary of State James A. Baker 3d told reporters today.

Lawmakers and their aides said the chances of approval appeared good, provided the Soviet Union lifts its economic blockade of Lithuania and continues policies of freer emigration.

Because it could spur not only commerce but the flow of capital and technology, the decision was eagerly sought by President Mikhail S. Gorbachev to back his market-oriented economic reforms and help him get more food and other consumer goods on store shelves.

Yet it has been almost as avidly desired by American business leaders, who see huge markets in the Soviet Union but shy away from making deals without the seal of approval from Washington that a trade agreement represents.

"It is the psychological indicator of re-engagement in one of the most important markets of the world," said Michael J. Johnson, vice president of international affairs for the FMC Corporation, a Chicago manufacturing company.

Desire for Soviet Markets

Business people also saw the situation in terms of American competitiveness. "Without some clear indication that the pending U.S.-Soviet trade agreement will be implemented, American business proposals will get short shrift in the Soviet Union compared with those from Europe and Japan," the president of the National Association of Manufacturers, Jerry J. Jasinowski, wrote the President last Wednesday.

Domestic politics played heavily on both sides. The President was influenced by a 73-24 vote in the Senate on May 1 on a resolution urging the President not to submit a trade agreement to Congress before the economic embargo against Lithuania is lifted.

Should it come into force, the trade agreement would qualify the Soviet Union for the lowest tariffs granted to any other country. The Soviet Union is today among only 12 countries in the world that do not get the favored trade status.

Soviet products sold in the United States currently bear duties as much as 10 times higher than imports from other countries. By one estimate the price of Soviet vodka could drop by \$1.25 a bottle.

There might not be large short-term increases in trade because the Soviet Union now makes little that Americans want to buy, and has trouble paying for goods it needs from the United States.

However, over the next three to five years, American officials think, the current \$5 billion in annual trade between the two countries could double or even triple.

Largely because of Soviet grain-buying, the United States had a \$3.5 billion surplus last year.

A possible bind: the demand for freer emigration.

said they would not sign a new long-term grain agreement committing the Soviet Union to higher levels of purchases from the United States over the next five years unless the United States signed the trade agreement. Both accords were signed this afternoon.

Lower Tariffs, More Options

The trade pact would clear the way for much lower tariffs on Soviet products, according to them "most favored nation" treatment, while expanding American business opportunities in the Soviet Union.

While the agreement has now been signed, technical as well as political reasons could delay its being sent up to Congress for a few weeks.

The President still has to waive restrictions imposed by the Jackson-Vanik amendment to the Trade Act of 1974. The Jackson-Vanik restrictions bar most-favored-nation trade status from countries that place emigration curbs. Congressional trade experts said the agreement cannot go up until the President issues his waiver, a report to the Congress declaring that the free-emigration conditions have been met.

Analysts said both sides now appear to have undertaken a cautious step-by-step process to improve economic relations, but obstacles could still crop up.

Both Governments came to terms on a trade agreement during the 1972-74 period of détente. But that agreement was never implemented because of the Jackson-Vanik restrictions.

"Given the President's long-standing condition that we will not be granting 'M.F.N.' until the Soviets pass their emigration legislation, this agreement will not be sent to the Congress until